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FOREIGN AGRICULTURE

JULY 10, 1972

Hungary's Agriculture Shifts

Mexico Updates Sugar Industry

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This week's cover:

Sample eggs taken from brochure presenting U.S. exhibit at 9th National Agricultural Fair in Santarém, Portugal, June 4-18. Egg on left translates in English, "I'm low in calories and rich in protein." Exhibit was designed to increase consumer acceptance of eggs by raising demand which in turn would up imports of U.S. mixed feed ingredients.

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CHANGES IN HUNGARY'S AGRICULTURAL ECONOMY SPU U.S.-HUNGARIAN TRADE

The past 10 years have witnessed important shifts in Hungarian agriculture. The introduction of a modified market economy has brought flexibility to farming. Grain self-sufficiency has been achieved, output and export of livestock products much expanded.

The focus on livestock has brought a notable rise in agricultural trade between Hungary and the United States. With greater use of modern feeding practices, Hungarian imports of U.S. soybeans and soybean meal have increased; and the United States, in turn, has become a growing customer for Hungary's processed meats.

Spotlight on agriculture. Of Hungary's total land area—36,000 square miles, about the same as Indiana—three-fourths is agricultural and nearly two-thirds is arable. Of the total labor force—about 5.2 million—29 percent is engaged in agriculture. Of total national income, agriculture's share in 1970 was about one-fifth; its share in investment in the socialist sector of the economy was also about one-fifth. Agricultural products accounted for about 17 percent of Hungary's total imports in 1970 and for 25 percent of total exports.

Collective farms, numbering nearly 2,700 and averaging 4,500 acres, account for 78 percent of the agricultural land, of which about 13 percent is in household plots. State farms, numbering 162 and averaging about 12,800 acres occupy about 16 percent; another 3 percent is privately owned; and 3 percent is allocated to industrial workers.

Shifts in farm policy. The economic reform program introduced on January 1, 1968—called the New Economic Mechanism (NEM)—has had some interesting effects on agriculture. Among the NEM's main objectives are the decentralization of decision making and the introduction of some elements of a market economy. For collective farms, this means considerable freedom to plan production for the year and for

the 5-year-plan period rather than following rigid plan schedules sent from Budapest. To adjust individual plans to national goals, the Government now depends on economic incentives like pricing, credit, subsidies, and taxes.

A prime NEM goal is to increase the profitability of the large-scale agricultural enterprises. Of the 2,700 collective farms, about one-third has had to be subsidized by the Government to make up for poor location or soil or other disadvantages. Some means being used to increase profits are continued expansion in mechanization, joint ventures by two or more farms —such as in hog or poultry operations —specialization, vertical expansion into processing food or supplying materials to a processing firm, and nonfarm sideline activities like storage and transport, cottage industries, and the construction of farm buildings.

Four years is too short a time to measure the impact of the NEM upon Hungary's farm production and trade, particularly since this period includes one bad drought year—1970. Several more cycles of drought and recovery would give a more exact picture. Still, it is interesting that the first complete year of the NEM—1968—showed production advances for most major crops; and that in the latest complete year—1971—most of these crops recovered from the drought to well beyond pre-NEM levels.

Numbers of cows, hogs, and sheep fell during the drought year but snapped back in 1971—hogs, to an alltime high; poultry numbers continued to rise.

Shifts in farm production. During the 1960's, an important farm policy objective was self-sufficiency in grain supply, with wheat production receiving first priority and rising fastest. In the last 5 years of the decade, total agricultural production increased by about a sixth; and in 1969-70, grain production for the first time permitted small net exports. With the foodgrain requirement met, increasing quantities of wheat have been channeled into feed use, although corn remains the principal feedgrain. Emphasis is now shifting toward the growing of corn rather than wheat, in view of decreasing food needs for wheat and increasing feed needs to support livestock expansion. But, though yields per acre are higher for corn than for wheat, so are production costs and labor needs.

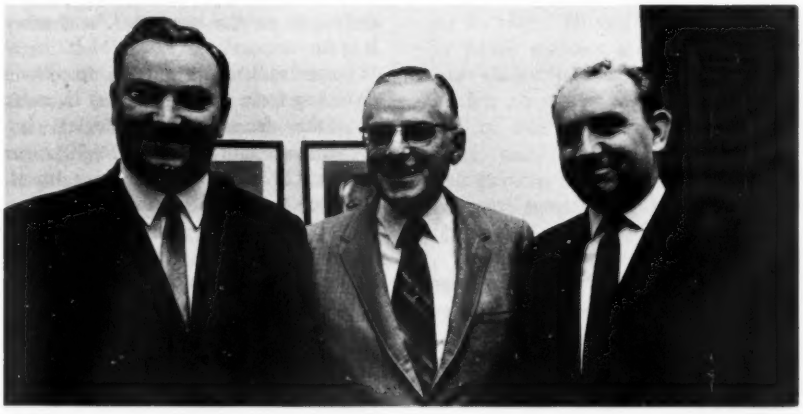
In Hungary, as elsewhere in Eastern Europe, livestock expansion is a principal goal of the current 5-year plan. To encourage livestock production, the Government no longer limits the number of livestock an individual may own.

Adequate feed supplies are the limiting factor throughout the area, and in Hungary, particularly, geography makes feedgrain and wheat crops vulnerable to drought. But Hungary is determined to continue building up its livestock industry, for two main reasons: To improve meat supplies for its people and to combat its total trade deficit by boosting exports of livestock products. Essential in this effort are imports of oilseed meal. In 1971 these totaled a record 368,000 metric tons, mostly peanut meal from India and soybean meal from the United States.

U.S.-Hungarian agricultural trade. U.S. agricultural exports to Hungary took a steep jump in fiscal 1970, reaching $12.9 million ($10.9 million, soybean meal; $1.4 million, soybeans). Next year they continued to rise, totaling $19.2 million ($13.4 million, soybean meal; $3.6 million, soybeans). This year the upward trend continues.

Hungary's agricultural exports to the United States have also risen steeply—from $1.8 million in FY 1970 ($1.0 million, meats) to $4.6 million in FY 1971 ($3.3 million, meats). This year, shipments may be equally large. This complementary trade will probably continue to increase as long as U.S. soybeans and meal represent a profitable buy for Hungary's feed industry and the United States remains a purchaser of Hungary's meat.—J.F.B.

Hungarian Officials Study U.S. Agriculture



Here to study U.S. agricultural technology is Kalman Kazareczki, Hungary's Vice Minister of Agriculture (shown above to left of Secretary of Agriculture Earl Butz; Hungarian Ambassador Karoly Szabo to right), with a group of other Hungarian agricultural officials. Of special interest are livestock production, farm machinery manufacture, and irrigation.

MEXICAN SUGAR INDUSTRY CHANGING TO MEET EXPORT NEEDS

By LAWRENCE R. FOUCHS
Sugar and Tropical Products Division
Foreign Agricultural Service

Mexico is a major source of sugar for the U.S. market, having supplied this commodity to the United States for about 30 years. However, the Mexican sugar industry must solve a variety of problems if it is to meet growing domestic demands, and at the same time supply its export markets at competitive prices.

During 1972, the Mexican Government will undertake a $304-million program to reorganize the country's sugar industry: $216 million will be channeled into modernizing sugar processing facilities; $88 million will be used in sugarcane-growing regions to improve cultural practices, roads, irrigation, and to increase sugarcane acreage. This reconstruction program is a result of recommendations by the National Commission of the Sugar Industry, established in December 1970 to study methods to reorganize and upgrade Mexico's sugar industry.

The problems facing the Mexican sugar industry since the second half of the 1960's have been numerous.

Sugar prices had not kept pace with production costs so few capital improvements were made. However, in December 1970, the Government raised domestic retail prices by an average of 48 percent, the first increase since 1958. The Government also granted loans to the sugar industry. In spite of these loans, modernization of the sugar industry in the late sixties and early seventies was not successful.

Increased costs of labor and materials had affected all phases of sugar production. As a result, some farmers abandoned cane production and planted their land in rice, tomatoes, and other crops.

Sugar mills were unable to obtain financing from private sources in order to make necessary technological improvements. During the 1969-70 sugar season, 23 mills had serious losses, some to the extent that they were taken over by the Government in order to maintain production levels and to avoid loss of jobs by workers.

As a first step in its drive to solve some of these difficulties, the Mexican Government established the National Commission of the Sugar Industry. The Commission is controlled by a Board composed of the Ministers of Industry and Commerce, of Finance and Public Credit, of Agriculture, and the Directors of already established sugar organizations.

The two most important functions of the Commission are to plan sugar production at a level sufficiently high to meet domestic and export requirements while at the same time maintaining adequate stock levels; and to improve technological and cultural practices currently in use by the sugar industry. The main objective of the National Commission is to put the Mexican sugar industry on a sound economic basis. The Commission therefore recommended its massive sugar industry reconstruction and revitalization program.

Funds spent for facility improvement will be used to construct three new sugar mills, to rehabilitate and increase production of 29 existing mills, to increase overall efficiency by merging 24 mills into 11 units, to gradually eliminate 11 other inefficient mills, and to add to the country's refining capacity.

The rehabilitation of the 29 mills will cost $16.8 million; the merging of the 24 mills into 11 more efficient ones represents an investment of $107.2 million.

One of the three new sugar mills will be built in Chontalpa area of the State of Tabasco, and the other two in the State of San Luis Potosí, each costing about $24 million, and each having the capacity to produce some 60,000 to 70,000 tons of sugar annually.

The reconstruction and merging of the older mills and refineries will in effect add 13 refineries to the country's total. This project will cost another $12 million. In view of the deficit in refined sugar production for the domestic market, this addition to the country's refinery capacity should help meet the country's demand for sugar.

About $8 million will be used for other building needs.

Investment in sugarcane growing areas is allocated as follows: $24.6 million for irrigation; $21.8 million for improved cultural practices; $17.6 million to increase the area planted in sugarcane by 123,500 acres; $8.9 million for new roads in the cane areas; and $15.7 million for cane transportation and harvesting equipment.

The new expansion program is aimed at reaching a production level of approximately 3.2 million metric tons by 1976. Sugar output in Mexico had been steadily increasing over the years but has leveled off somewhat in the past 5 years, averaging 2.4 million

tons, raw value, during that period. Production in 1972 is estimated at 2.5 million tons, raw value.

The State of Veracruz produces approximately 40 percent of Mexico's sugar followed by the States of Sinaloa, Jalisco, Tamaulipas, Oaxaca, and Morelos. These six States account for about 80 percent of Mexico's total sugar production. There are about 1 million acres of land planted in sugarcane.

Mexico has approximately 87,100 cane growers; 72,700 ejidatarios (individuals who acquired land under Mexico's land reform program) with land holdings averaging about 9 acres; and about 14,400 small landholders with an average of about 30 acres.

There are approximately 192,000 other persons engaged in other phases of the sugar industry. Companies that own sugar mills are not permitted to own cane land.

There are currently 66 sugar mills in operation in Mexico, with an annual production capacity of 3.3 million metric tons of sugar. These mills are operating at about 75 percent of capacity. The State of Veracruz leads in the number of sugar mills with 21, followed by Jalisco with 11.

Sugar is one of Mexico's leading foreign-exchange earners, accounting for about $90 million to $100 million annually in recent years, and it usually ranks second only to cotton. Although Mexico is a member of the International Sugar Agreement, it exports little sugar to world markets other than the United States.

Under the United States Sugar Act, Mexico has been allotted a sugar quota each year since the late 1930's. Before 1960, Mexico's quota was minimal. This was because a major portion of U.S. sugar import requirements was met by Cuba. The breaking of diplomatic relations with Cuba by the United States in mid-1960 led to Mexico's U.S. sugar quota being increased to 363,160 metric tons, compared to 58,794 tons in 1959.

Since 1960, Mexico's quota has fluctuated, but only twice has it dropped below the 1960 level, and then it was only by a small amount. Mexico has never failed to fulfill its sugar quota to the United States.

Mexico's quota for 1972 is 555,063 tons, making it the third largest U.S. sugar-quota recipient after the Philippines and the Dominican Republic.

Mexico exports about 75 percent of its sugar from the modern, mechanized loading station located at the Port of Veracruz. Of the countries which share in the U.S. sugar quota, Mexico is unique in that it is the only one able to export sugar to the United States by railroad. However, this is feasible only in case of an emergency; rail costs are higher than shipments made by sea.

If plans to reorganize Mexico's sugar industry are successful, exportation of sugar could make a significant contribution in relieving the country's serious balance-of-trade problem. Mexico's imports exceeded exports by $968 million in 1971. This was a marked improvement compared with the $1 billion deficit of the previous year. The trade deficit can be reduced even more if greater amounts of sugar are exported.

Some estimates indicate that Mexico could have some 800,000 to 850,000 metric tons of sugar available for export by 1976. Although the level of exports to the United States depends on U.S. sugar requirements and future U.S. sugar legislation, a large portion of this sugar would undoubtedly be exported to the United States. The question remains whether Mexico will be able to capture a larger share of export markets other than the United States.

If the world price for sugar remains somewhere near its present level, the combination of this price with that of the Mexican domestic market, plus U.S. quota prices, should make it possible for the Mexican sugar industry to make a major contribution to the country's economy and balance of trade.

U.S. Hops and Malt Flavor Venezuelan Beer

The number of U.S. beer drinkers who are acquainted with Venezuelan beers is small indeed—perhaps because the U.S. beer industry is largely descended from Europe's so that U.S. consumers wanting a specially rich brew tend to turn there. Yet Venezuelan beers are as good as Europe's best; and it might well be a point of pride for farmers in the United States that U.S. hops extract and malt contribute heavily to the flavor of these beers.

Both Venezuelan and U.S. beers are generally made from malted barley—with corn, rice, or sugar as a malt adjunct—and are flavored with hops. In 1971, Venezuela imported 125,000 pounds of U.S. hops extract, 3 percent more than in 1970. Imports of U.S. malt are also an important input, although in 1971—at about 16,000 pounds—they were down about 42 percent from 1970. The U.S. dock strikes accounted in great part for both the small size of the hops increase and the large size of the malt decrease.

The type of beer most popular in both countries is the lager or Pilsen type. It is pale in color with a medium hop flavor, relatively strong carbonation, and an alcohol content ranging from 3.5 to 4.5 percent.

Most of the beer produced in Venezuela is brewed by two companies. The larger, Cervecerías Polar, has between 60 and 65 percent of the market and devotes itself to making one brand of beer in three types—Pilsner, bock, and malta (without alcohol)—and one small specialty beer.

The other, Cervecera Nacional, has virtually all the remainder of the market. It caters more to regional tastes, with about 10 different brands, including four Pilsners, a porter, a stout, a bock, two maltas, and a maltina (low alcohol). Some of these beers are produced solely for the Andean region.

In mid-1968, the Venezuelan Government ceased publishing beer production statistics. It was felt that publication of a figure for total production would allow either of the two major firms to know almost exactly the production of the competition, merely by subtracting its own. During the latest period for which statistics are available, however—January-June 1968—total production amounted to 55.1 million gallons of beer, 5.2 million gallons of malta, and 749,400 gallons of other malt beverages. It has almost certainly increased substantially in the intervening years.

Venezuela's exports of beer in 1969 were valued at US$414, all of which went to West Germany; in 1970, they totaled US$2,148. While complete data for 1971 are not available, exports in the first quarter were in excess of the total for all of 1970, amounting to $3,346—all destined for Aruba, in the Netherlands Antilles.

Over the next few years, exports are not likely to increase significantly. It

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U.S. Tallow Exports Reach New Record Level

Japan, India, and Korea are biggest buyers; South American countries make unusually large purchases.

By SUZANNE WRIGHT
Livestock and Meat Products Division
Foreign Agricultural Service

Boosted by greater shipments to India and unusually high purchases by South American countries, U.S. exports of tallow and greases reached a new peak of 2.6 billion pounds in 1971. At the same time, tallow exports contributed $232 million to the balance of payments—17 percent more than in 1970. Since the average per unit export price was unchanged from the 9 cents per pound of 1970, the increase was entirely the result of a greater volume of exports.

India became the second largest market for U.S. tallow in 1971, taking shipments totaling 336 million pounds —75 percent above the previous year. About 80 percent of the total was financed by U.S. Government Agency for International Development (AID) commodity loans.

Exports to South America—principally Brazil, Colombia, and Argentina —were more than 2½ times larger than in 1970 chiefly as a result of reduced cattle slaughter in Argentina.

Argentina is the largest producer of tallow in South America and normally supplies most of Brazil's tallow imports and a good portion of Colombia's. In 1971, Argentine cattle slaughter fell 24 percent to 9.8 million head resulting in a 6-percent decline in tallow production to 288 million pounds. Consequently, Argentina's tallow exports fell 84 percent to 35 million pounds and the country's first imports of recent years were supplied by the United States.

As a result of the shortage of Argentine supplies, Colombia and Brazil also increased their purchases of U.S. tallow. In 1971, U.S. exports of tallow to Colombia totaled 80 million pounds; to Brazil, 70 million; and to Argentina, 29 million.

U.S. tallow exports historically have accounted for about 40 percent of domestic production and for about 30 percent of the value of all U.S. livestock and meat product exports. Production during the past 5 years has averaged about 5.4 billion pounds annually. Exports, except in 1971, have stayed above the 2-billion-pound level.

The most rapidly growing markets for tallow exports during the past decade have been in Asia with most of the growth occurring in Japan, India, and Korea.

Since 1960 Japan has been the major export market for U.S. tallow and greases. Exports to Japan reached a high of 560 million pounds in 1968, but for the last 3 years have trended steadily downward as a result of lower priced tallow from Australia.

Canada and New Zealand are customary suppliers of a small share of Japan's market. Also, in 1971, the west coast dock strike contributed to the decline in U.S. exports to this most important market.

The market for inedible tallow in India as it exists today was developed by U.S. Government programs (initially Public Law 480 and in recent years AID). Prior to 1965, animal fats did not play any significant part in the Indian economy. Imports of animal fats were limited to small quantities of tallow for industrial purposes. Fatty acids for soap manufacture were obtained from more costly oilseeds. The availability of tallow to India under P.L. 480 and AID financing began in 1965 and, since then, U.S. tallow exports to India have increased from 1 million pounds to 336 million in 1971. Most of the tallow imported is used to make soap.

Korea's tallow imports have grown from 50 million pounds in 1966 to 160 million pounds in 1971—almost all supplied by the United States. For the period 1966-69, U.S. Government programs provided the bulk of Korea's tallow needs. Since 1969, Korea's imports have surged upward even though U.S. Government programs were sharply curtailed.

In Korea, there is considerable enthusiasm on the part of soap makers and feed manufacturers over the future consumption of toilet soap, laundry soap, and feed.

Soap consumption has been increasing steadily from 10 to 15 percent annually for the last 5 years and no decline is in sight. Detergents are not expected to decrease the usage of soap. The construction of bulk storage facilities for inedible tallow should make it possible to import bulk tallow at lower freight rates. This will contribute to expanded use of animal fats in feed.

The National Renderers Association (NRA) in cooperation with the Foreign Agricultural Service of the U.S. Department of Agriculture maintains a cooperator program in the Far East for the purpose of expanding the Asian market for U.S. tallow. In the Far East, promotional efforts are primarily directed at the soap and feed industries. For fiscal 1972, a soap campaign is programed for both Japan and Taiwan which will push U.S. beef tallow for use in quality toilet soaps. In Japan, Korea, and Taiwan, NRA is concentrating its efforts on promoting the use of tallow in feeds to produce lower cost, high-energy rations.

The success of NRA's Tokyo office has prompted the opening of a second office in Singapore. The Singapore office will service the Philippines, Indonesia, Thailand, and Hong Kong.

U.S. tallow exports in 1972 are not likely to reach the 2.6-billion pound record of last year. Uncertainties in purchases by India, expected increases in South American tallow production, and continued inroads by Oceania in the Japanese market will likely reduce U.S. shipments.

Because of the India-Pakistan War, December shipments of tallow to India were suspended and tenders for 33 million pounds for January delivery had not been filled as of early May 1972.

Official U.S. trade statistics show almost no tallow exports to India during January-March 1972. Last year, U.S. tallow exports to India during the first 4 months totaled 140 million pounds.

It is doubtful that Argentina will need to import tallow in 1972. Cattle marketings are expected to exceed 1971 levels by 10 percent. Also, these cattle likely will be marketed at heavier weights as high prices and good grazing conditions in 1971 encouraged producers to hold back cattle in the belief that prices would continue to rise.

An increase in Brazilian cattle slaughter is forecast for 1972. Brazilian trade sources believe that although tallow imports will not be required in significant quantities until October, the Government may permit, as it has during the past 3 years, 44 million pounds of tallow to be imported free of duty during late 1972.

As a part of Colombia's policy to increase beef exports by reducing live cattle exports, only 20,000 steers have been contracted for the Peruvian market this year compared with 105,000 last year. This increase in domestic slaughter also should increase tallow availability.

Lower freight rates from Australia to Japan compared with U.S. rates have been the principal reason for the growth in Australia's share of the Japanese tallow market. The 1971 west coast dock strike also encouraged many large U.S. customers to try Australian tallow for the first time in many years. The upsurge of Australian tallow usage in the Japanese market no doubt will encourage further market development on the part of the Australians. Cattle slaughter in Australia is expected to be up 4 percent in 1972, with beef tallow production up even more because of heavier weights and better finish on cattle.

Eggs: U.S. Tells the "Complete Story" At 1972 Santarem Fair

With an exhibit featuring the "complete story" of eggs—from production of baby chicks to use of the end product—the U.S. Pavilion at the 9th National Agricultural Fair in Santarém, Portugal, June 4-18, attracted more than 300,000 visitors. This included 150 school groups with teachers.

The U.S. Pavilion was sponsored by USDA's Foreign Agricultural Service in cooperation with the U.S. Feed Grains Council, the American Soybean Institute, and the National Renderers Association.

Designed to spur consumer acceptance of eggs, the exhibit demonstrated feeding and care of baby chicks through pullet stage, egg classification, grading and marketing of eggs, and the use of eggs in modern diets. Emphasis was on

(Continued on page 12)

Crowds see U.S. exhibit (at left) and laying hens (right).

Portugal's President, Adm. Américo Tomaz (second from left), attends opening day.

Young pullets—replacements for laying flock.

Visitors view egg dishes being prepared in U.S. Pavilion kitchen.

PERU'S FISHMEAL EXPORTS EXPECTED TO RECOVER

By ALAN E. HOLZ
Fats and Oils Division
Foreign Agricultural Service

Following last year's decline in Peruvian production and exports of fishmeal, a significant recovery in exports, to about 2 million metric tons, is expected in 1972. The increase—of 250,000 tons—will reflect some reduction in stocks as well as expectation of some increase in the allowable fish catch.

In 1971, Peru's exports of fishmeal dropped to 1.75 million metric tons, or 122,000 tons less than in 1970 and 332,000 below the record 1968 volume. The decline took place despite record supplies at nearly 2.6 million tons, and resulted in a significant buildup in stocks carried forward to January 1, 1972.

Fishmeal production in 1971 declined substantially from the record 1970 volume of 2.3 million tons—to 1.9 million tons—as a result of the Government-imposed catch quota, which limited the monthly catch to 1.2 million tons of raw fish, beginning in September 1971. The meal extraction rate, however, appears to have increased to a record level, thus partly offsetting the reduced catch.

Since the catch quota was imposed, the indicated meal-extraction rate has advanced to nearly 20 percent for individual recent months. Although extraction rates vary widely, it is possible that part of the indicated increase reflects an "underreported" catch.

Prices for fishmeal declined substantially in 1971. Furthermore fishmeal became significantly more competitive relative to soybean meal in late 1971 and has since continued to become even more favorably priced owing to the rise in soybean meal prices. In the United States, fishmeal in mid-April was priced at about $185 per metric ton and was only 1.66 times the price of 50 percent soybean meal against 2.20 a year earlier. This was the smallest price ratio registered since November 1968.

More competitive prices for fishmeal have spurred Peruvian exports. Exports during the September 1971-February 1972 period totaled 1.1 million tons or nearly double the 610,100 tons exported in the same 6 months a year

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PERU'S FISHMEAL EXPORTS
[In thousands of metric tons]

Area or country	1968	1969	1970	1971
United States	550	189	156	166
South America	143	104	124	167
West Germany	397	384	485	425
Other Western Europe	556	595	566	323
Eastern Europe	278	267	427	524
Others	159	117	115	145
Total	2,083	1,656	1,873	1,751

PERU'S SUPPLY AND DISTRIBUTION OF FISHMEAL[1]

Item	1968	1969	1970	1971	1972[2]
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Supply:					
Stocks, Jan. 1	600	392	307	655	786
Production	1,922	1,611	2,257	1,935	1,980
Total supply	2,522	2,003	2,564	2,590	2,766
Distribution:					
Exports	2,083	1,656	1,873	1,751	2,000
Apparent domestic consumption	47	40	36	53	56
Stocks, Dec. 31	392	307	655	786	710
Total distribution	2,522	2,003	2,564	2,590	2,766
Fish catch	10,263	8,960	12,477	10,249	11,000
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Apparent extraction rate	18.7	18.0	18.1	18.9	18.0

[1] Estimated. [2] Forecast. National Society of Fisheries of Peru and other sources.

U.S. PRICES FOR FISH AND SOY MEAL
[In dollars per metric ton]

Year and month	Fishmeal[1]	Soybean meal[2]
1968	144.4	93.7
1969	173.2	91.4
1970	214.6	96.0
1971	182.9	92.4
1972:		
Jan.	179.1	98.5
Feb.	178.3	100.9
Mar.	180.8	108.6
Apr.	185.2	113.3
May[3]	199.5	113.0

[1] F.o.b. east coast ports, 65 percent crude protein. [2] Decatur, Ill., wholesale price, 50 percent crude protein. [3] First week only.

Danish Red cattle, principal breed in Denmark, are dual-purpose animals for milk and beef.

Butter Buildup Clouds Near-Term Prospects for Danish Dairy Farmers

By HARLAN J. DIRKS
U.S. Agricultural Attaché
Copenhagen

The recent buildup of butter stocks in the European Community, coupled with a weakening of record-high butter prices on the U.K. market due to increased supplies, is causing concern to Danish dairy farmers.

The "butter buildup" has dampened the near-term outlook, coming as it did just at the time when dairy cow numbers in Denmark showed the first gain since the early 1960's. The April census showed an 0.6 percent increase in cow numbers.

The Danes are especially price-conscious at this time because they want dairy prices to remain high during all of 1972 so as to obtain the highest possible starting point for transition to EC prices beginning February 1, 1973. There is also concern that the high beef and veal prices may lead to further cattle and calf selling.

Milk production so far this year in Denmark has been up 6 percent above a year earlier. This increase in production has been largely due to higher concentrate consumption which resulted in higher yields. Therefore, any drop in dairy prices could alter feeding rates and thus the level of milk production. Production for the year will likely be up about 4 percent.

Butter production so far in 1972 has been up 13 percent in response to higher prices. Butter and skimmed milk powder production has been more profitable than cheese production, although the latter is also running 9 percent higher than last year. Butter production is expected to slide off later this year as price adjustments take place.

The price of Danish bulk butter on the U.K. market has dropped from the record high level of $1,392 per long ton in March to $1,248 in June. The price reduction has been due to increased supplies from New Zealand and Australia as well as from home suppliers. A further fall in prices is expected. Although the EC has increased export subsidies on butter, it does not yet seem to have created interest on the British market.

Danish concern in connection with the buildup in EC butter stocks resulted in the visit of a Danish delegation to London at the beginning of June to request the United Kingdom to reinstate the butter import quota. The U.K. butter market is, of course, decisive in setting the level of Danish producer prices; a considerable loss in income will occur for Danish agriculture during the 5-year transition to EC prices if 1972 prices deteriorate. It is feared that the contemplated EC efforts to decrease butter stocks, including higher export subsidies, may depress the U.K. market further. Reintroduction of the U.K. import quota, it is felt, would stabilize prices at near the recent high levels. (However, prices weakened the week beginning June 5.)

Yet it is not likely that the United Kingdom will take such action. Danish milk producer prices have been steadily approaching the EC level for the past year, and at present are 5 cents a pound compared with the EC's 5.8 cents a pound. (Both of these prices are based on 3.7 percent butterfat and include all producer subsidies.)

The long-term outlook for Danish dairy farmers is favorable. The prospect of EC membership has no doubt been the main factor in the stemming of the steady decline in Danish dairy herds. Also, the prospective strong prices for beef and veal are an additional plus factor. There has been a record number of applications for the Government-backed long-term, low-interest-rate loans to be used for the modernization of dairy cattle buildings and the installation of new equipment, as well as markedly expanded interest in the normal commercial farm loans for these purposes.

There is still no strong evidence, however, that there will be a major buildup in dairy cow numbers in Denmark within the next few years. Most of the "fixed interest" loans are being used to modernize and expand the larger units. The smaller units are slowly dropping out. Shortage of labor is given as the major limiting factor. Also, the high grain price is encouraging the smaller farmers to drop livestock and seek part-time off-farm work. It is unlikely that dairy cow numbers will reach the level of the early 1960's for some time to come.

CROPS AND MARKETS

LIVESTOCK AND MEAT PRODUCTS

Yugoslavia Acts To Improve Domestic Meat Supplies

The Yugoslav Government announced plans to import 11 million pounds of frozen meat from Latin America and to prohibit exports of cattle weighing less than 1,000 pounds to help relieve a domestic meat shortage. In addition, Yugoslav meat exporters plan to reduce export shipments to protect the domestic market and to assure adequate supplies for tourist requirements.

Yugoslavia exported 114 million pounds of beef in 1971, mostly baby beef to Italy, and was expected to increase 1972 exports by 15 percent. Cattle exports during January-April 1972 totaled 74,000 head, compared with 24,000 a year earlier and 126,000 head for all of 1971. Italy and Greece are the principal destinations.

Guatemala Legislates Meat Controls

The Guatemalan Congress has passed legislation aimed at orderly marketing of beef through assignment of meat quotas to slaughter plants. The purpose of these quotas is to avoid scarcity of meat for domestic consumption, to assure compliance with international commitments, and to prevent indiscriminate cattle slaughter in times of high beef prices. The law also prohibits exports of live cattle except purebred registered animals.

Guatemala participates in the U.S. meat import program, and has a commitment of 25.3 million pounds in 1972. U.S. imports of Guatemalan fresh and frozen beef in 1971 totaled 36.3 million pounds, 71 percent of which was subject to the Meat Import Law.

DAIRY AND POULTRY

Price Slump Hurting U.K. Egg Industry

Because of low prices and generally adverse conditions in the U.K. egg industry, the British Eggs Authority is proposing to the Ministry of Agriculture a price stabilization scheme under which a national price, based on past and likely future trends, will be decided upon. When market prices fall below this predetermined level, members of the scheme will sell surplus supplies to an egg-product producer at an agreed lower price. The difference between the two prices will be paid to producers from a central compensation fund derived from contributions of member companies.

Egg prices in the United Kingdom in recent weeks have been very depressed. Reportedly, prices during May were below costs for some producers. The wholesale price of U.K.-produced standard eggs on May 18 was 27.3-32.5 U.S. cents per dozen as compared with 29.9-32.5 cents a month earlier and 36.4-41.6 cents a year ago. Comparable prices for large eggs were 33.8-37.7 cents against 39.0-42.9 cents in mid-April and 44.2-49.4 cents this time last year.

According to industry spokesmen and the British Eggs Authority, demand is low and heavy supplies are coming on to the market. This condition is aggravated by the absence of support-buying such as used to be undertaken by the former British Egg Marketing Board. Several hatcheries have recently announced cutbacks in production of day-old chicks for egg production.

EC Poultry Sales To Chile and Egypt

Four large Dutch poultry slaughterers have contracted to supply 2,000 metric tons of broilers to Chile and an equal amount to Egypt.

While delivery conditions and exact prices have not been released, the contracts are believed to total the equivalent of about US$3.1 million.

About half of the poultry contracted is expected to be supplied from set-aside stocks already in storage under a program in which German and Dutch slaughterers participate.

SUGAR AND TROPICAL PRODUCTS

Record Brazilian Pepper Exports

Brazil's exports of black and white pepper during 1971 amounted to a record 17,326 metric tons valued at US$14.9 million, nearly double the 1970 shipments of 9,018 tons valued at $8.2 million.

In recent years, Brazil has become the second largest supplier of pepper to the United States. U.S. pepper imports from Brazil in 1971 were 6,133 tons valued at $5.1 million, compared with 4,153 tons valued at $3.3 million in 1970.

Brazil's Cocoa Export Earnings Fall in 1971

Reflecting lower world cocoa prices, Brazil's 1971 export earnings derived from cocoa beans and cocoa butter declined from a year earlier. Shipments of cocoa beans totaled 119,072 metric tons valued at US$61.7 million, compared with 1970 exports of 119,768 tons valued at $77.7 million. Cocoa butter exports in 1971 were 21,131 tons valued at $24.3 million, compared with 19,154 tons valued at $28 million in 1970.

U.S. imports of cocoa beans and cocoa products from Brazil in 1971 totaled $34.4 million, down from $46.9 million in 1970.

FRUITS, NUTS, AND VEGETABLES

Record Spanish Almond Crop Forecast

Excellent weather in Spain, combined with expanded almond acreage, contributed to a heavy set and forecasts of a record harvest in 1972. Production is estimated at 55,000 short tons (shelled basis), approximately 53 percent above last year and well above the current record of 41,000 tons set in 1968.

Exports during the 1971-72 season (September-August) are expected to total 21,000 tons, somewhat above the 18,200 tons shipped in 1970-71. France, West Germany, and Switzerland rank as Spain's largest markets during the current season.

The Government of Spain recently revised the export standards for shelled and in-shell almonds originally established in 1963. In addition, the Government has modified the benefits available to exporting firms with conspicuous export performance.

Exporters meeting performance standards are entitled to partial rebate of the export tax, priority use of Government funds to finance overseas promotional activities, an increase of 5 percent over current export insurance coverage limits, an increase of 5 percent over the current export credit limit, and a credit line to finance up to 30 percent of the circulating capital needs of qualifying consolidated export firms.

Prospects Poor for Italian Almond Crop

Adverse weather following an unusually early blossoming has caused extensive damage (in the form of early fruit dropping and poor pollination) to Italy's 1972 almond crop. Current forecasts call for a harvest of 22,000 short tons (in-shell basis), slightly above last year's 19,000-ton crop but well below the normal range of 40,000-42,000 tons.

Exports during the 1971-72 season (September-August) are expected to total 15,500 tons, compared with 19,500 tons the preceding season.

Italian imports are expected to total 2,750 tons during the current (1971-72) season, compared with 550 tons during the past season. With the exception of nuts originating in the United States (which are consumed in Italy), the bulk of the Italian imports are reexported.

Italian shippers receive an EC subsidy on all shelled almonds shipped to nonmember countries. This subsidy was recently raised from 1.81 U.S. cents per pound to 5.94 cents per pound.

Outlook Good for Turkish Filbert Crop

Although an official forecast of Turkey's 1972 filbert crop is not available, the trade feels production will total 200,000 short tons (in-shell basis). If accurate, this estimate represents a 21-percent increase over last year's 165,000-ton harvest; however, this is well below the record 265,000 tons harvested in 1970.

Filberts are cyclical (alternate-bearing) in nature, and 1972 is considered an "on" year. This, combined with favorable weather conditions, is the reason given for the high estimate.

Exports during the first 8 months of the 1971-72 marketing season (September-April) totaled 119,825 tons (in-shell basis). West Germany, France, the USSR, the Netherlands, and the United States are the leading markets. Virtually all shipments consist of shelled nuts. Total exports for 1971-72 are projected at 165,000 tons, compared with the 1970-71 total of 152,525 tons.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 5	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	1.95	−4	1.96
USSR SKS-14	(1)	(1)	1.89
Australian FAQ [2]	1.77	+1	1.78
U.S. No. 2 Dark Northern Spring:			
14 percent	1.86	0	1.96
15 percent	1.91	−1	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	1.78	+1	1.87
No. 3 Hard Amber Durum	1.80	0	1.80
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	1.44	0	1.74
Argentine Plate corn	1.70	−2	1.81
U.S. No. 2 sorghum	1.41	−2	1.64
Argentine-Granifero sorghum	1.42	−2	1.64
U.S. No. 3 Feed barley	1.21	+1	1.30
Soybeans:			
U.S. No. 2 Yellow	3.76	+2	3.48
EC import levies: [3]			
Wheat [4]	[5] 1.86	−17	1.39
Corn [6]	[5] 1.30	−4	.71
Sorghum [6]	[5] 1.31	−2	.84

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] The EC levies have been adjusted to reflect the Aug. 1, 1972, threshold price levels. [4] Durum has a separate levy. [5] Effective Oct. 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [6] Italian levies are 21 cents a bu. lower than those of other EC countries.

Note: Basis 30- to 60-day delivery.

Rain Dampens Mexico's Sorghum Outturn Prospects

Wet weather in the State of Tamaulipas, which produces about half of Mexico's sorghum, has reduced the crop sharply. As a result, Mexico may harvest only 1.4 million tons, the same as last year, and possibly will need to either import sorghum or divert corn for feed purposes as was necessary in the past season. The Tamaulipas harvest was expected to be 1.1-1.2 million tons but now may be only 500,000 tons.

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FOREIGN AGRICULTURE

1972 Santarém Fair *(Continued from page 7)*

quality and price of protein in relation to other proteins. Brochures on the exhibit and recipes for 277 different egg dishes were available in Portuguese.

Although the pavilion was open to the public, emphasis was placed on trade interests. Egg producers, representatives of U.S. parent layer stock and mixed feed industries, Portuguese officials, home economists, health authorities, and hotel and restaurant operators were among the 200 specially invited guests on America Day, June 6. Poultry and feed manufacturer's representatives also hosted receptions for special interest groups during the fair.

Current domestic consumption of eggs per capita is very low. Systems of production and marketing of eggs are largely outmoded. In spite of these handicaps, the poultry industry is the largest single user of mixed feed—over 35 percent of the total.

By raising the demand for eggs, local production would increase and require more imports of corn, soybeans, soybean meal, sorghums, other grains, and inedible tallow, as well as animal by-products and high-producing layer parent stock. Expansion of the market for U.S. mixed feed components could well be increased by $1 million to $1.5 million annually.

Other pavilions at Santarém this year included those of France, Germany, and Denmark exhibiting livestock. The French showed beef cattle and Germany brought in Holsteins and beef cattle—all sold during the show. Denmark's Holsteins sold before the show opened. The Italian pavilion, designed and managed by the Italian Chamber of Commerce in Lisbon, featured farm machinery, equipment, and supplies. Brazil featured heavy and light farm machinery and equipment, leather goods, and coffee.

Venezuelan Beer

(Continued from page 5)

would be too difficult for any beer to crack markets that have for years belonged to other brands; and besides, local demand is so vigorous that there is little Venezuelan beer left for the export market.

Per capita consumption in 1968 for persons aged 20 years and over was estimated at around 22 gallons of beer and other malt beverages per year. A higher consumption rate is indicated in more recent years. A fairly recent estimate of the value of consumption places it at about Bsl.3 billion for 1970 —or about $289 million.

Consumption is almost certain to continue increasing, thus also increasing the opportunity for greater sales of U.S. hops extract and malt. At present there is enough excess capacity to take care of the greater demand.

—By Donald M. Nelson Jr.
Assistant U.S. Agricultural Attaché, Caracas

Peru's Fishmeal Exports *(Continued from page 8)*

ago. In terms of the protein equivalent of soybeans, the increase is equal to 34.5 million bushels of soybeans.

U.S. fishmeal imports during the September 1971-March 1972 period totaled 218,000 metric tons against 99,200 tons a year ago. Imports in March 1972 alone totaled 42,000 tons. The bulk of U.S. fishmeal exports have been from Peru. European imports in recent months have also forged ahead of year-ago levels.

In 1971, there were significant shifts among the key destinations for Peruvian fishmeal exports. Movement to West European countries and Japan dropped sharply, while exports to East European countries increased substantially. Despite the aggregate decline in exports, movement to the United States increased—reflecting more competitive prices in the second half of 1971. The U.S. fishmeal market thus appears to be more price responsive than many of the other consuming countries. Part of the decline in movement to major traditional markets reflected the fact that more than 100,000 tons was indicated as shipped to Mainland China and Cuba.